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Missouri's Funding for Tourism Promotion

Missouri's investment in tourism promotion is considered a national model, thanks to a funding mechanism created in 1993, known as House Bill 188 (HB188).

The funding system, which went into effect on July 1, 1994, has increased the Missouri Division of Tourism's budget from $6 million in 1993 to $14.8 million in fiscal year 1999.

After years of searching for a dependable revenue source to fund the Division of Tourism's efforts, Missouri's travel industry united in 1993 behind House Bill 188. This legislation set aside a percentage of tourism-generated tax revenue for more tourism promotion. It requires **no** tax increases.

The plan was developed by the Missouri Tourism 2001 Funding Committee – an industry group with representatives from the Missouri Hotel & Motel Association, the Missouri Restaurant Association, the Missouri Travel Council, the Travel Federation of Missouri and the Missouri Association of Convention and Visitors Bureaus.

Studies indicated that tourism expenditures are increased by $8 to $10 for every dollar that the State of Missouri invested in tourism marketing. To maximize tourism's benefits, the industry group concluded, Missouri needed a reliable source of funding for tourism promotion, at a level that would enable the state to compete effectively in the tourism market.

The funding proposal called for working with the Department of Revenue to identify tax revenue generated by specific businesses that serve travelers. Businesses in 17 SIC (Standard Industry Classification) codes were chosen. A small percentage of the **growth** in tax revenue from those businesses would be reinvested each year in more tourism marketing.

The plan was based on the conservative assumption that tax revenue generated by traveler-serving business will grow by at least three percent per year – considered "normal" growth. The Division of Tourism would receive **half of any increase in tax revenue** above that three-percent level. The money, to be used for tourism marketing and promotion, could not exceed $3 million per year.

As funding from the growth in tax revenue came in, the Division's budget could be increased by as much as $3 million per year over the previous year's level.

The measure also called for the Division's existing funding from general revenue to be eliminated gradually, at a rate of 10 percent per year. At the end of 10 years, the Division would be entirely funded from this new tax revenue source.

Broad-based travel industry support was the key to passing HB 188 into law. The no-new-tax proposal was developed after opposition killed an earlier funding plan calling for new taxes to be collected by travel industry businesses. By contrast, the "painless" funding measure embodied in HB 188 enjoyed statewide support as it made its way through the Legislature and to the Governor's desk.

More than 300 industry representatives came to the Capitol early in the 1993 legislative session, to talk with their legislators. They made it clear that the plan in HB 188 was developed by the travel industry and had the full backing of the industry. And they made it clear how much tourism means to Missourians statewide.

Thanks to industry support, HB 188 was approved by wide margins – 30-4 in the Senate and 145-11 in the House. Industry members were on hand in force again on July 7, 1993, when the measure was signed into law.

The innovative funding concept, called "the most significant step forward for tourism in Missouri since the Missouri Tourism Commission was created in 1967," put Missouri in the national spotlight. The successful campaign to pass HB 188 earned the Travel Industry Association of America's prestigious Odyssey Award for Tourism Awareness in 1993.

Missouri Division of Tourism Budget History

In 1993, Missouri's tourism industry developed a plan to allow the Division of Tourism to fund itself from growth in the travel business, and eventually eliminate the need for General Fund appropriations. Led by House and Senate tourism committees, this initiative was passed almost unanimously into state law RSMo 620.467. It is often considered a model for the nation.

Known as the "Division of Tourism Supplemental Revenue Fund," this performance-based budgeting process organizes Missouri's travel industry into 17 business types, identified by Standard Industrial Classifications (SIC) Codes. The General Assembly appropriates these funds annually, based on at least three percent growth in tourism-related sales tax revenues, as determined by the director of the Department of Revenue.

In addition, a provision of the law stipulates that the original FY94 base appropriation shall be paid back to the state by 2004. Each year, 10 percent of that base amount is deposited back to the General Revenue fund, and by 2004 the entire Division budget will be generated from the growth in tourism-related tax revenues.

This performance-based budget has allowed the Division to expand its marketing message to reach new audiences, and leverage state funds with local tourism organizations to increase Missouri's marketing message, in order to increase traveler expenditures.

HB 1620 Extends Funding Through 2010

Legislation to extend the life of the Missouri Division of Tourism's supplemental funding source and the percentage used by the Department of Revenue when computing the division's budget each year was passed during the FY98 Legislative session.

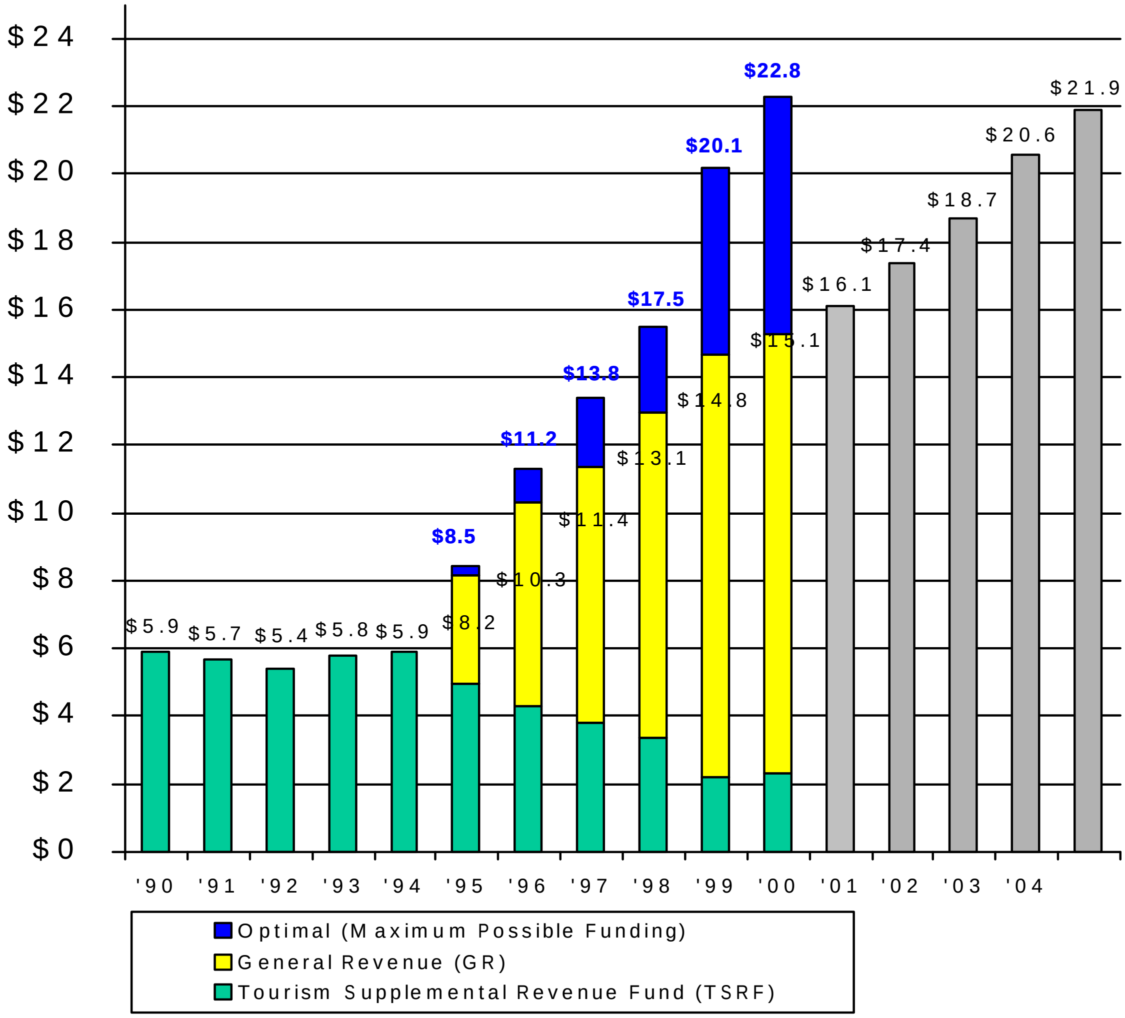
House Bill 188, approved by the Legislature in 1994 which created the Division of Tourism Supplemental Fund, allows the division to receive up to three million dollars annually in new revenue under a formula that gave back to the division part of the increase of the state sales taxes generated by tourism activities (17 SIC Codes). The original intent of HB 188 was that the Department of Revenue would use a formula to determine the amount of increase from all sales taxes collected. But the Department of Revenue determined that the formula be based only on general state sales tax (3%) and did not include the School District Trust Fund sales tax (1%), the Conservation tax (.125%) and the Soils and Water/ State Parks tax (10%) in the formula.

Representative Francis Overschmidt from Union, Mo., was the sponsor of HB 1620 that made technical corrections in the division's funding mechanism, including all (.4225%) state sales tax when computing the division's budget each year. HB 1620 received a very favorable vote from the House of Representatives. The bill based 151 to 1 with 10 representatives abstaining. The maximum of no more than $3 million increase per year still is in effect. Passage of this bill in the House was overwhelming.

Senator Sidney Johnson from Agency, Mo., handled the bill in the Senate. His Senate Tourism Committee filed a Senate Committee Substitute which included all of HB 1620 as passed by the House but also included the provision to extend the original sunset clause in HB 188 from the year 2004 to the year 2010. Senator Johnson sponsored the proposal to his committee and on the Senate floor the bill carried the Senate with a 31-2 vote with 1 absent.

This is a tremendously important piece of legislation for the tourism industry and we thank our Legislative chairmen and Commission Chairman Lt. Governor Roger Wilson for their leadership and persistence in the passage of HB 1620.

Division of Tourism Budget History
Funding Sources



	1994	1995	1996	1997	1998	1999	Estimated 2000
TSRF	$0	$3,000,000	$5,764,987	$7,764,987	$10,091,229	$12,365,604	$13,230,918
GR	$5,935,098	$5,197,965	$4,572,142	$3,658,342	$3,053,510	$2,491,246	$1,879,846

Standard Industry Classification (SIC Codes) Included in FundingFormula

5811	Eating Places Only	7940	Commercial Sports
5812	Eating and Drinking Places	7990	Misc. Amusement and Recreation
5813	Drinking Places - Alcoholic Beverages	7991	Boat and Canoe Rentals
7010	Hotels, Motels and Tourist Courts	7992	Public Golf Courses and Swimming Pool
7020	Rooming and Boarding Houses	7996	Amusement Parks
7030	Camps and trailering Parks	7998	Tourist Attraction
7033	Trailering Parks and Camp Sites	7999	Amusement NEC
7041	Organization Hotels and Lodging House	8420	Botanial and Zoological Gardens
7920	Producers, Orchestras, Entertainers		

Questions . . . and Answers

Q: Does this create a new tax?

A: No. There are no new taxes. It simply allo cates some of the growth in existing taxes to the Division of Tourism, to be reinvested in more marketing.

Q: How much of the tax money would go back into tourism?

A: The bill assumes that three (3) percent per year year would be “normal” growth in tax revenue from traveler-serving businesses. Half of any revenue above three (3) percent would go to the Division of Tourism, to be invested in building our travel industry.

Q: Is there a limit on how much the Division of Tourism’s budget can grow?

A: Yes. It has a cap of $3 million growth per year.

Q: But why do we need more money for tourism promotion?

A: Because Missouri’s tourism industry can pro duce more tax revenue and new jobs – and do it faster – than any other form of economic development. Tourism is a $7.8 billion-per-year business in Missouri, employing nearly 191,000 Missourians. Spending by travelers generates about $625 million a year in state taxes and $272 million in local taxes. It just makes sense to promote an industry that means so much to our state.

Q: Promoting tourism is a good idea . . . but what about the appropriation process?

A: The Legislature still must appropriate these new funds. And these bills call for the Senate and House tourism committees to review the Division of Tourism’s marketing and spending plans each fiscal year.

Q: What about payoff if we spend more on tourism promotion?

A: The bills would help Missouri compete effec tively in the tourism marketplace. It could give Missouri a $20 million tourism budget by the year 2001. Two of our competitors, Illinois and Texas, have budgets that large right now. And by the turn of the century, at least six other Midwest ern states are likely to have budgets that large. If we keep pace, we can provide an impressive return. Studies say Missouri can get back $8 to $10 in tax revenue for every dollar invested in marketing Missouri to travelers.

Q: Will this help rural, small-town Missouri?

A: Absolutely. The Division will continue and expand its cooperative advertising program. It’ll add a matching grants program for not-for-profit promotion groups, too. These programs will help smaller communities stretch their promotional funds.

Q: And is there a “sunset” clause in **HB 188**?

A: Right. The law would expire on June 30, 2004. However, with the passage of **HB 1620**, the Missouri General Assembly extended the “sun set” clause to 2010.

Q: So . . . are these bills the way to build Missouri’s economy, create more jobs and tax revenue and keep tourism growing, into the 21st century . . . without any new tax increases?

A: Exactly!

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